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SUBJECT: SCENESETTER FOR JULY 2 - 4 VISIT OF CODEL PRICE TO
TIMOR-LESTE

¶1. Summary. Embassy Dili warmly welcomes the July 2 - 4, 2009, visit of the House Democratic Assistance Committee under the chairmanship of Representative David Price. The CODEL will find Timor-Leste enjoying an unaccustomed phase of political stability, although the country remains afflicted by extreme poverty and the social ills that go with it. While increased government spending and a year free from crisis have resulted in a visibly more prosperous Dili, grinding rural poverty persists, and the country faces a demographic time bomb. With international assistance, the government is making incremental progress in professionalizing its police and military, a sine qua non for future stability. Timor-Leste enjoys cordial relations with its regional neighbors, including former occupier Indonesia. The U.S. has taken advantage of 2008-09's relative stability to engage the government of Prime Minister Xanana Gusmao in new assistance initiatives, including with the support of the U.S. Pacific Command. USAID is implementing projects in the areas of economic growth, health and governance. We support President Ramos-Horta's recent request for the return of the Peace Corps, which withdrew from Timor-Leste during the 2006 political crisis. The National Parliament benefits from an HDAC-financed Research Center, and is eager to interact with the CODEL as part of its ongoing effort to improve its effectiveness. End Summary.

Breaking the Cycle of Crisis

¶2. Timor-Leste's transition to independence has been fraught with violence, instability, and political polarization. Following the August 1999 referendum which decisively rejected special autonomy status within Indonesia, the Indonesian Armed Forces and allied Timorese militias destroyed the country's infrastructure and displaced tens of thousands of people. Over the following months, most of the managerial class - Timorese as well as Indonesian - relocated to Indonesia, depleting the new nation's technocratic capacity. Following independence in 2002, Timor-Leste's nascent institutions were further weakened by the persistence of political and social divisions that had origins in the turmoil that accompanied the end of the Portuguese colonial period and Indonesia's 24-year occupation. These conflicts erupted into political instability or violence repeatedly after independence, most dramatically in April - June 2006, when the dismissal of a dissident group within the Defense Forces of Timor-Leste (F-FDTL) sparked a general breakdown of law and order, the fall of the FRETILIN government headed by Prime Minister Mari Alkatiri, and the displacement of 150,000 Timorese. At the invitation of the Government of Timor-Leste, the United Nations Security Council responded in August 2006 by deploying a peacekeeping operation with 2500 police, and Australia separately dispatched an International Stabilization Force (ISF) with more than 1000 troops. Both operations remain in Timor-Leste as guarantors of the country's security and

stability.

¶3. Free and fair elections in 2007 selected the current national leaders, President Jose Ramos-Horta and Prime Minister Kay Rala Xanana Gusmao. The latter heads a four-party coalition government, the Alliance for a Parliamentary Majority (AMP). FRETILIN is the largest opposition party. Despite these successful exercises in electoral democracy, episodes of instability recurred. There was sporadic political violence following the formation of the AMP government in August 2007. On February 11, 2008 a renegade ex-military faction headed by Major Alfredo Reinado, at large since the 2006 crisis, shot and seriously wounded President Ramos-Horta and attempted to assassinate Prime Minister Gusmao. Reinado was killed in the incident, and the remainder of his men surrendered in May 2008.

¶4. Since then, Timor-Leste has entered a phase of stability and progress. The AMP government, with the support of international agencies, has succeeded in resettling almost all the internally displaced persons (IDPs) from the 2006 crisis. Street crime and gang-related violence have declined. The opposition FRETILIN party, although it sometimes resorts to incendiary rhetoric, has not attempted to dislodge the AMP government by direct action. Instead, it has sought to gain political leverage by publicizing cases of government corruption and drawing attention to high salaries paid to foreign and Timorese government consultants by the World Bank and other donors. FRETILIN has also mounted court challenges, successful in a few instances, against AMP measures it saw as illegal.

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¶5. Reforming the security sector will be essential to continued stability. To date, the Defense Forces (F-FDTL) and National Police (PNTL) have been sources of disruption due to ill-defined roles, indiscipline, and low capacity. Both the PNTL and F-FDTL have committed human rights violations, notably during the joint military-police operation that apprehended the February 11 rebels. The F-FDTL in particular has created problems; its core consists of former guerilla fighters who believe that the outcome of the independence struggle accords them privileged status and exempts them from any requirement to professionalize.

There is a history of antagonism between the F-FDTL and the PNTL, which includes in its ranks some officers who were affiliated with the Indonesian occupation police. In 2006 there was armed conflict between the PNTL and elements of the military in the streets of Dili; the low point of this debacle was the F-FDTL's shooting of eight police officers who were attempting to surrender during a standoff. The current government has had some success in repairing relations between the police and military. Cooperation in Operation Halibur, the joint task force that pursued the February 11, 2008 attackers, was an important benchmark in this effort.

¶6. Fortunately, the Government of Timor-Leste recognizes the importance of security sector reform, and, with the assistance of Portugal, Australia, New Zealand, the U.S., and the UN, is attempting to professionalize both the PNTL and the F-FDTL. After several years of exercising police functions, The UN Police Mission (UNPOL) has begun a phased handover of executive authority to the National Police of Timor-Leste (PNTL), although it will remain in a monitoring and support capacity. The Government of Timor-Leste is gradually drafting a national security law and policy that will clearly define and separate the roles of the PNTL and F-FDTL; the U.S. supported this process by, for example, hosting in September 2008 a landmark workshop for Timorese policymakers at the Asia Pacific Center for Security Studies in Honolulu.

Lifting the Curse of Poverty

¶17. Timor-Leste's greatest challenge is the extreme poverty of its people with its host of concomitant social ills.

Timor-Leste is Asia's poorest country, with half of its population living on less than a dollar a day, 85% of its labor force engaged in subsistence agriculture, functional illiteracy running at well over 70%, and more than half the population stunted from malnutrition. These indicators become more ominous in light of Timor-Leste's incipient demographic boom. 62% of the population is under the age of 25, and the country's fertility rate of 7.8 births per mother is one of the world's highest. Timor's poverty is correlated with enormous gaps in social infrastructure, distinguished by a poor national road network; inadequate telecommunications; a single, increasingly congested seaport; an electricity grid that supplies power to only a third of the country's households and then only for short segments of the day; a health services infrastructure barely able to cope (there are 5 doctors per 100,000 Timorese) with one of the world's highest rates of maternal and child mortality; an education system in which less than a fifth of schoolchildren has a chair or desk, and more than half have no textbook; poor water and sanitation facilities (two-thirds of adults fetch water at least once a week).

¶18. Timor-Leste is not without resources, however. It has more than \$4.9 billion in a sovereign wealth fund due to accruals from modest oil deposits, and zero international debt. It also benefits from the generosity of the international community, with the government forecasting receipts of more than \$220 million from bilateral and multilateral donors in 2009. The IMF estimates the economy grew by a real 12.5% in 2008 due almost solely to increased government spending. Potential sources of new growth include future LNG production, tourism, and an expansion and diversification of the agriculture export sector, which is now primarily coffee.

How the U.S. Is Helping

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¶19. All forms of appropriated U.S. assistance to Timor-Leste since 2000 total \$273 million. For 2008, the U.S. appropriated approximately \$25 million in aid. Currently, a robust USAID program emphasizes strengthening Timor-Leste's institutions of democratic governance, fostering private sector-led economic growth and improving health. Flagship projects include supporting the Timor Coffee Cooperative, which has operated since 1994, and now supports 22,000 member families, and produces all of Timor-Leste's high-grade coffee exports to the U.S., Japan and Europe. A land and property rights project will for the first time establish a system of land registration which will lead to securing titles to all landholdings in Timor-Leste.

Through a media project, USAID is helping Timorese journalists improve the quality and expand the reach of the free press to all citizens of Timor-Leste. A senior Department of Justice attorney will soon help Timorese efforts to ensure access to justice and the rule of law. Departments of State and Defense programs have focused on police training and assisting the logistical capabilities of the military. Since February, the U.S. Navy has deployed a unit of 26 Seabees to launch an engineering apprenticeship program and rebuild Timorese schools and health clinics. During a two-week visit in July 2008, the USNS Mercy hospital ship treated nearly 10,000 Timorese. Finally, President Ramos-Horta has formally invited the Peace

Corps to resume its Timor-Leste program, an initiative the U.S. Mission in Dili strongly supports.

Engaging the National Parliament

¶10. Timor-Leste's National Parliament is a unicameral body with 65 members. Its Members are elected to five year terms; the current Parliament was elected in June 2007. It has nine functional committees. Nine parties are represented in Parliament, with the largest single caucus being the opposition Revolutionary Front of Independent Timor-Leste (FRETILIN). The Government's parliamentary majority is a coalition among Prime Minister Gusmao's National Congress for the Reconstruction of Timor (CNRT) and other smaller parties. Seats in Parliament are allocated from party lists according to proportional representation; MPs do not represent geographic districts.

¶11. The Parliament is ineffective in many regards but is improving. Oftentimes, agendas are not followed, and absenteeism is a problem. In early 2009, the average attendance in plenary session was 35 members, but this has improved following President Ramos-Horta's threat last month to dissolve Parliament if absenteeism persisted. Committees are weak, and go for months without meeting. While nothing precludes the National Parliament from drafting legislation, the body has not initiated any legislation; Parliament instead debates legislation submitted by the executive branch. Constituent services are underdeveloped and informal. MPs have the reputation of rarely traveling to the districts and relying on text messages to communicate with citizens. Resources, ranging from office space to staff and legal counsel, are close to nil.

¶12. In recent months, however, Parliament has begun to work more efficiently. It has already passed more bills in 2009 than during all of 2008. Major pieces of recent legislation include the Suco (Village) Election law, a law on territorial division, approval of the new Penal Code, and an education bill. However, Parliament has provoked ire in this poor country by voting itself perquisites of office. Within the last six months, Parliament voted to increase MPs' salaries from \$800 USD to \$3,000 USD per month. FRETILIN has strongly opposed the purchase of a fleet of dedicated official vehicles for MPs, as well as the increase in salary. FRETILIN MPs are refusing to use the new cars, and allege that corruption was involved in their purchase. Although these charges are to some extent "politics as usual," they speak to justified concerns about official corruption in general.

¶13. During the HDAC delegation's National Parliament leaders have expressed interest in learning more about Parliamentary rules and ethics. The National Parliament has also complained that the executive branch has withheld information, and MPs would like to learn about Congress's experience in oversight of

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the U.S. executive branch. The NP's committee structure remains weak, and MPs are interested in learning more about how the U.S. Congress organizes and operates its committees. Finally, the National Parliament would like to exchange ideas on oversight of the Timorese military and police.

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